

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE PRIORITY

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E.O. 11652, N/A

TAGS: EFIN, CS

SUBJECT: LATIN AMERICAN BANK

1. SUMMARY: REPRESENTATIVES OF CREDITOR BANKS OF THE LATIN AMERICAN BANK (LAB) CALLED ON DEPUTY ASST. SECRETARY RYAN 3-12-76.THEY EXPRESSED CONCERN THAT THE CENTRAL BANK MAY BE BACKING OUT OF THE COMMITMENTS MADE TO THE CREDITOR BANKS. IF SUCH IS THE CASE, THE REPRESENTATIVES PREDICT SERIOUS ECONOMIC REPERCUSSIONS FOR COSTA RICA. THEY REQUESTED THE DEPARTMENT TO CONTACT THE COSTA RICAN GOVERNMENT TO ENSURE THAT THEIR UNDERSTANDING OF THE COMMITMENT IS KNOWN TO THE GOCR AND TO ASK THE GOCR IF IT INTENDS TO LIVE UP TO THE TERMS OF THE AGREEMENT AS THEY SEE IT.

2. AS THEY UNDERSTAND IT, AGREEMENT CALLS FOR COSTA RICAN
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NATIONAL BANKING SYSTEM TO ASSUME 13.2 MILLION DOLLARS

OF LAB'S PORTFOLIO BY MID FEBRUARY 1976. AS OF MARCH 12 THEY HAVE RECEIVED ASSURANCES THAT ONLY 5.6 MILLION DOLLARS WILL BE ASSUMED. FURTHERMORE, THEY CLAIM THAT ASSUMPTION OF THIS AMOUNT IS CONDITIONED UPON LAB'S PUTTING UP ADDITIONAL COLLATERAL IN THE FORM OF LAND HOLDINGS OF THE RODRIGUEZ FAMILY. THIS WOULD, THEY STATE, CONSTITUTE A CONDITION NOT PREVIOUSLY CALLED FOR.

-- THEY FEAR THAT THE COSTA RICANS MAY BE ATTEMPTING TO EFFECTIVELY RENEGOTIATE THE TERMS OF AGREEMENT IN THEIR FAVOR. ANOTHER FEAR EXPRESSED WAS THAT THE CENTRAL BANK MAY BE PURPOSELY STALLING UNTIL ALL COSTA RICAN CERTIFICATE OF DEPOSIT HOLDERS ARE PAID OFF. SUSPICION IS THAT ONCE THIS OCCURS THE COSTA RICANS WILL FEEL NO FURTHER PRESSURE TO COOPERATE. VISITORS CLAIM THAT THEY ARE CONSIDERING WITHHOLDING NEXT PAYMENT TO LAB'S COSTA RICAN CD HOLDERS WHICH IS DUE TO BE MADE ON MARCH 30.

3. BANK REPRESENTATIVES ALSO ASKED WHAT LEGAL REDRESS COULD BE PROVIDED AGAINST THE GOCR VIA THE DEPARTMENT IF THE TERMS OF AGREEMENT ARE NOT MET. FIDELITY UNION TRUST GENERAL COUNSEL LILOIA STATED THAT THE GOCR ENJOYED SOVEREIGN IMMUNITY UNDER THE TERMS OF THE PROTOCOL SIGNED IN SEPTEMBER & THAT THE PROTOCOL CONSTITUTED AN AGREEMENT WHICH WOULD BE ENFORCEABLE IN THE UNITED STATES. REPRESENTATIVES WERE INFORMED THAT AFTER ALL NORMAL CHANNELS OF LEGAL RECOURSE ARE EXHAUSTED, DEPARTMENT WOULD BE WILLING TO STUDY PROTOCOL AND OTHER RELEVANT DOCUMENTS TO DETERMINE IF A CASE FOR AN INTERNATIONAL CLAIM COULD BE MADE UNDER INTERNATIONAL LAW.

4. REPRESENTED AT THE MEETING WERE THE HARFORD NATIONAL BANK BY SENIOR VICE PRESIDENT RICHARD WIPPLE AND ASSISTANT VICE PRESIDENT ERIC MOORE, THE FIDELITY UNION TRUST BANK BY VICE PRESIDENT ROGER CRAIG AND GENERAL COUNSEL JERRY LILOIA AND LAB BY PRESIDENT FRANK VAN GROFSKI. AMBASSADOR RYAN ASKED THE VISITORS IF THEY REPRESENTED ALL OF LAB'S BANK CREDITORS. THEY RESPONDED AFFIRMATIVELY.

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5. WIPPLE AND MOORE CALLED ON COSTA RICAN AMBASSADOR SILVA PRIOR MEETING AT DEPARTMENT. SILVA EVIDENTLY, EXPRESSED SURPRISE AT THE DELAY IN THE IMPLEMENTATION OF THE PROTOCOL AND SAID HE WOULD CONTACT CENTRAL BANK PRESIDENT JIMENEZ AND VICE PRESIDENT CASTILLO ABOUT IT.

6. GIVEN ASSURANCES THAT VISITORS REPRESENTED ALL LAB CREDITOR BANKS DEPARTMENT AGREED THAT IT WOULD CONTACT

EMBASSY AND REQUEST THAT EMBASSY APPROACH APPROPRIATE GOCR OFFICIAL AT A HIGH LEVEL TO MAKE SURE THAT THE REPRESENTATIVES UNDERSTANDING OF THE SITUATION AS OUT-LINED TO DEPARTMENT WAS FULLY UNDERSTOOD AT THE HIGHEST LEVEL OF THE GOCR. DEPARTMENT EXPLAINED THAT SUCH REPRESENTATION AT THIS TIME WOULD BE MADE IN ORDER TO FACILITATE MUTUAL UNDERSTANDING. IT WAS MADE CLEAR THAT EMBASSY WOULD NOT REPEAT NOT BE REQUESTED TO ESPOUSE VISITOR'S POSITION AS USG POSITION AT THIS TIME.

6. ACTION REQUESTED: THAT EMBASSY SHOULD APPROACH THE GOCR AT AN APPROPRIATELY HIGH LEVEL TO EXPLAIN VISITOR'S PREOCCUPATION AND ASCERTAIN GOCR'S UNDERSTANDING OF ITS COMMITMENT TO THE CREDITORS TO SEE IF A MISUNDERSTANDING EXISTS. PLEASE REPORT RESULTS OF INTERCHANGE. KISSINGER

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